



HEALTH QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2004
OF THE CONDITION AND AFFAIRS OF THE

Memphis Managed Care Corporation

NAIC Group Code 0000 (Current Period) NAIC Company Code 00000 (Prior Period) Employer's ID Number 625139163

Organized under the Laws of Tennessee, State of Domicile or Port of Entry Tennessee

Country of Domicile US

Licensed as business type:

Life Accident and Health [] Property/Casualty [] Hospital, Medical and Dental Service or Indemnity []
Dental Service Corporation [] Vision Service Corporation [] Other []
Health Maintenance Organization [X] Is HMO Federally Qualified? Yes (X) No ()

Incorporated July 7, 1993 Commenced Business January 1, 1994

Statutory Home Office 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code)

Main Administrative Office 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code) 901-725-7100 (Area Code) (Telephone Number)

Mail Address 1407 Union Ave, Memphis, Tennessee 38014 (Street and Number, City or Town, State and Zip Code)

Primary Location of Books and Records 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code)
901-725-7100 (Area Code) (Telephone Number)

Internet Website Address www.mmcc-tlc.com

Statutory Statement Contact Art Ansert (Name) 901-725-7100 (Area Code) (Telephone Number) (Extension)
AAnsert@mmcc-tlc.com (E-Mail Address) (Fax Number)

Policyowners N/A (Street and Number, City or Town, State and Zip Code) 901-725-7100 (Area Code) (Telephone Number) (Extension)
Relations
Contact and
Phone Number

OFFICERS

1. Al King (President)
2. Bruce Steinhauer, Dr (Secretary)

OTHER OFFICERS

DIRECTORS OR TRUSTEES

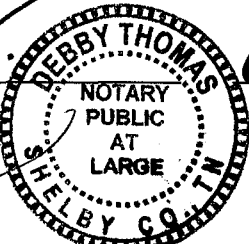
STEVEN BURKETT
BRENDA JETTER
ANDY SPOONER, DR
DENNIS SCHABERG, DR
BARRY FOWLER
STUART POLLY, DR
JEFF BRANDON
AL KING
BRUCE STEINHAUER, DR

State of Tennessee } SS
County of SHELBY }

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement. knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Al King President
Bruce Steinhauer, Dr Secretary

Subscribed and sworn to before me this 30 day of November, 2004



NOTARY PUBLIC (Seal)

MY COMMISSION EXPIRES AUG. 1, 2007

- a. Is this an original filing? Yes (X) No ()
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Statement Date			4 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col. 1 minus Col. 2)	
1. Bonds	3,204,405		3,204,405	2,968,950
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ 12,641,501), cash equivalents (\$) and short-term investments (\$)	12,641,501		12,641,501	6,389,811
6. Contract loans (including \$ premium notes)				
7. Other invested assets				
8. Receivable for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Line 1 to Line 9)	15,845,906		15,845,906	9,358,761
11. Investment income due and accrued	12,592		12,592	47,103
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection				
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)				
12.3 Accrued retrospective premiums				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans				
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset				
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software	1,090,688	1,090,688		
18. Furniture and equipment, including health care delivery assets (\$)	166,701	166,701		
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates	109,537		109,537	223,218
21. Health care (\$) and other amounts receivable	6,913,666		6,913,666	4,875,625
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	508,030	508,030		
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23)	24,647,120	1,765,419	22,881,701	14,504,707
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. TOTAL (Line 24 and Line 25)	24,647,120	1,765,419	22,881,701	14,504,707
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)				
2301. Prepaids	456,030	456,030		
2302. Advance	52,000	52,000		
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	508,030	508,030		

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	13,246		13,246	150,000
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses				
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	4,078,553		4,078,553	1,337,029
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)				
15. Amounts due to parent, subsidiaries and affiliates	80,000		80,000	
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured accident and health plans				
21. Aggregate write-ins for other liabilities (including \$ current)				
22. Total liabilities (Line 1 to Line 21)	4,171,799		4,171,799	1,487,029
23. Common capital stock	XXX	XXX		
24. Preferred capital stock	XXX	XXX		
25. Gross paid in and contributed surplus	XXX	XXX	3,699,498	3,699,498
26. Surplus notes	XXX	XXX		999,680
27. Aggregate write-ins for other than special surplus funds	XXX	XXX		
28. Unassigned funds (surplus)	XXX	XXX	15,010,249	8,318,180
29. Less treasury stock, at cost:				
29.1 shares common (value included in Line 23 \$)	XXX	XXX		
29.2 shares preferred (value included in Line 24 \$)	XXX	XXX		
30. Total capital and surplus (Line 23 to Line 28 minus Line 29)	XXX	XXX	18,709,747	13,017,358
31. Total Liabilities, capital and surplus (Line 22 and Line 30)	XXX	XXX	22,881,546	14,504,387
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Line 2101 through Line 2103 plus Line 2198) (Line 21 above)				
2701.	XXX	XXX		
2702.	XXX	XXX		
2703.	XXX	XXX		
2798. Summary of remaining write-ins for Line 27 from overflow page	XXX	XXX		
2799. Totals (Line 2701 through Line 2703 plus Line 2798) (Line 27 above)	XXX	XXX		

STATEMENT OF REVENUE AND EXPENSES

	Current Year to Date		Prior Year to Date
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	1,782,065	2,314,367
2. Net premium income (including \$ non-health premium income)	X X X		
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Line 2 to Line 7)	X X X		
Hospital and Medical:			
9. Hospital/medical benefits			(3,028,705)
10. Other professional services			(189,508)
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			857
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Line 9 to Line 15)			(3,217,356)
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Line 16 minus Line 17)			(3,217,356)
19. Non-health claims			
20. Claims adjustment expenses, including \$ cost containment expenses		2,323,761	2,976,744
21. General administrative expenses		(7,781,231)	(12,135,658)
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)			
23. Total underwriting deductions (Line 18 through Line 22)		(5,457,470)	(12,376,270)
24. Net underwriting gain or (loss) (Line 8 minus Line 23)	X X X	5,457,470	12,376,270
25. Net investment income earned		169,766	105,122
26. Net realized capital gains (losses)			
27. Net investment gains (losses) (Line 25 plus Line 26)		169,766	105,122
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses		515,828	1,100,424
30. Net income or (loss) before federal income taxes (Line 24 plus Line 27 plus Line 28 plus Line 29)	X X X	6,143,064	13,581,816
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Line 30 minus Line 31)	X X X	6,143,064	13,581,816
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Line 0701 through Line 0703 plus Line 0798) (Line 7 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)			
2901. Other Revenue		515,828	1,100,424
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)		515,828	1,100,424

STATEMENT OF REVENUE AND EXPENSES (continued)

CAPITAL AND SURPLUS ACCOUNT	1	2
	Current Year to Date	Prior Year
33. Capital and surplus prior reporting year	13,017,648	5,137,630
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
34. Net income (loss) from Line 32	6,143,063	13,581,816
35. Change in valuation basis of aggregate policy and claims reserves		
36. Net unrealized capital gains and losses		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	559,005	48,838
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes	(1,000,000)	(5,750,636)
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Tranferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	(10,000)	
48. Net change in capital and surplus (Line 34 to Line 47)	5,692,068	7,880,018
49. Capital and surplus end of reporting period (Line 33 plus Line 48)	18,709,716	13,017,648
DETAILS OF WRITE-INS		
4701. Audit Adjustment	(10,000)	
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Line 4701 through Line 4703 plus Line 4798) (Line 47 above)	(10,000)	

CASH FLOW

	1	2
	Current Year To Date	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance		123,077
2. Net investment income	118,013	105,122
3. Miscellaneous income	720,043	1,100,424
4. Total (Line 1 through Line 3)	838,056	1,328,623
5. Benefit and loss related payments		101,899
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	(6,423,434)	(7,970,839)
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)		
10. Total (Line 5 through Line9)	(6,423,434)	(7,868,940)
11. Net cash from operations (Line 4 minus Line 10)	7,261,490	9,197,563
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Line 12.1 through Line 12.7)		
13. Cost of investments acquired (long-term only):		
13.1 Bonds		
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		7,815
13.7 Total investments acquired (Line 13.1 through Line 13.6)		7,815
14. Net increase or (decrease) in policy loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)		(7,815)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(1,009,800)	(5,750,636)
16.2 Capital and paid in surplus, less treasury stock		(200)
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)		(7,367,249)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(1,009,800)	(13,118,085)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11 plus Line 15 plus Line 17)	6,251,690	(3,928,337)
19. Cash and short-term investments:		
19.1 Beginning of year	6,389,811	10,318,148
19.2 End of period (Line 18 plus Line 19.1)	12,641,501	6,389,811

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.001		
20.002		
20.003		

CASH FLOW, Line 20 (Continued)

	1	2
	Current Year To Date	Prior Year Ended December 31

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital and Medical)		4	5	6	7	8	9	10	11	12	13
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year	194,981								194,981				
2. First Quarter	197,528								197,528				
3. Second Quarter	196,903								196,903				
4. Third Quarter	196,040								196,040				
5. Current Year													
6. Current Year Member Months	1,782,065								1,782,065				
Total Member Ambulatory Encounters for Period:													
7. Physician	610,237								610,237				
8. Non-Physician	24,516								24,516				
9. Total	634,753								634,753				
10. Hospital Patient Days Incurred	80,924								80,924				
11. Number of Inpatient Admissions	17,190								17,190				
12. Health Premiums Written													
13. Life Premiums Direct													
14. Property/Casualty Premiums Written													
15. Health Premiums Earned													
16. Property/Casualty Premiums Earned													
17. Amount Paid for Provision of Health Care Services													
18. Amount Incurred for Provision of Health Care Services													

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
0599999 - Unreported claims and other claim reserves						13,246
0799999 - Total claims unpaid						13,246

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 plus 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only	136,754		13,246		150,000	150,000
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Line 1 to Line 8)	136,754		13,246		150,000	150,000
10. Other non-health						
11. Medical incentive pools and bonus amounts						
12. Totals	136,754		13,246		150,000	150,000

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Memphis Managed Care Corporation Have been prepared in accordance with the NAIC Accounting Practice and Procedure Manual except to the extent that state law Differs.

The company, at the direction of the Commissioner of Insurance of the State of Tennessee for the period Jan – Sept 2004, on report #2A records claims reimbursements and administrative reimbursements as premiums, instead of netting them against claims and general administrative expenses respectively as required by SAP

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Quarterly Statement Instructions and Accounting Practice and Procedures manual requires the use of management's estimates.

- 1) Short-term investments are stated at amortized cost.
- 2) Bonds are stated at amortized cost using the effective interest method.
- 3) The company does not hold common stock.
- 4) The company does not hold preferred stock.
- 5) The company does not hold mortgage loans.
- 6) The company does not hold loan-backed securities.
- 7) The company does not hold investments in subsidiaries, controlled and affiliated companies.
- 8) The company does not have minor ownership interests in joint ventures.
- 9) The company does not carry derivatives.

2. Accounting Changes and Corrections of Errors

A. Disclosure of material changes in accounting principles and or errors

N/A

3. Business Combinations and Goodwill

A. Statutory Purchase Method

N/A

B. Merger

N/A

C. Impairment Loss

N/A

4. Discontinued Operations

N/A

5. Investments

A. Mortgage Loans

N/A

NOTES TO FINANCIAL STATEMENTS

- B. Debt Restructuring
 - N/A
- C. Reverse Mortgages
 - N/A
- D. Loan Backed Securities
 - N/A
- E. Repurchase Agreements
 - N/A
- 6. Joint Ventures, Partnerships and Limited Liability Companies
 - N/A
- 7. Investment Income
 - A. N/A
 - B. Total Amount excluded was \$0
- 8. Derivative Instruments
- 9. Income Tax
 - A. Components of net deferred income tax asset or liability
 - N/A
 - B. DTLs not recognized
 - N/A
 - C. Significant components of income taxes incurred
 - N/A
 - D. Significant reconciling items of income taxes incurred
 - N/A
 - E(1). Operating loss and tax credit carry forwards
 - N/A
 - E(2). Recoupment of Income taxes available in the event of future losses
 - N/A
 - F Consolidated federal Income tax return
 - N/A
- 10. Information Concerning Parent, Subsidiaries and Affiliates
 - A. The company is jointly owned by The Regional Medical Center (The Med) & University of Tennessee Medical Group (UTMG).
 - B. Description of transactions
 - N/A
 - C. Dollar amount of Transactions
 - N/A
 - D. At June 30, 2004 the company \$109,537 due from The Med for MedCall & MRI services rendered.

NOTES TO FINANCIAL STATEMENTS

- E. Guarantees or undertakings for the benefit of an affiliate
N/A
- F. Description of any material management contracts with related parties
N/A
- G. Ownership in the company is 50% The Med, 50% UTMG
- H. Amount deducted from the value of an upstream intermediate entity
N/A
- I. Investment in SCA in excess of SCA entity
N/A
- J. Investment in SCA entity
N/A
11. Debt
- A. Capital Notes
N/A
- B. Other Debt
N/A
12. Retirement Plans, Deferred Compensation, Post employment Benefits and compensated Absences and other Postretirement Benefit Plans
- B. Defined Contribution Plan
N/A
- C. Multiemployer Plans
N/A
- D. Consolidated/Holdings Company Plans
N/A
- E. Post employment Benefits and Compensated Absences
N/A
13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi Reorganizations.
- 1) The company has
- 2) The company has no preferred stock outstanding
- 3) Dividend Restrictions – N/A
- 4) Restrictions on unassigned Funds – None
- 5) The State of Tennessee requires the company to hold statutory deposits in the amount of 2,900,000
- 6) For mutuals, and similarly organized companies the total amount of advances to surplus not repaid. – N/A
- 7) Total Amount of Stock Held by the company – N/A
- 8) Changes in special surplus funds – N/A
- 9) Portion of unassigned funds (surplus) represented or reduced by each of the following items:
- | | | |
|----|-------------------------------|-----------|
| a. | Unrealized gains and losses - | N/A |
| b. | Nonadmitted assets | 1,765,419 |
| c. | Stock purchase warrants | N/A |
- 10) Surplus Notes
- 11) Impact of the restatement in quasi reorganization – N/A

NOTES TO FINANCIAL STATEMENTS

12) Effective Date of a quasi reorganization – N/A

14. Contingencies

A. Contingent Commitments

N/A

B. Assessments

N/A

C. Gain Contingencies

N/A

D. All Other Contingencies

15. Leases

A. Disclosures related to lessee leasing arrangements

N/A

B. Disclosures related to lessor leasing arrangements

N/A

16. Off Balance Sheet risk

- 1) The company has no financial instruments with off balance sheet risk.
- 2) The company does not use swaps, futures or options.
- 3) The company has no financial instruments with off balance sheet risk, and no counter party exposure.
- 4) The company has on financial instruments subject to credit risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfer of Receivables reported as Sales

N/A

B. Transfer and Servicing of financial Assets

N/A

C. Wash Sales

N/A

18. Gain or Loss to the company from Uninsured A&H Plans and Uninsured Portion of Partially Insured Plans

A. ASO Plan

The Gain from Operations from ASO uninsured plans and uninsured portion of partially insured plans was as follows during 2004:

NOTES TO FINANCIAL STATEMENTS

	(1)	(2)	(3)
	ASO Uninsured Plan	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for Administrative Expenses (including Administrative Fees) In excess of Actual Expenses	\$ 22,754,135		\$122,754,135
b. Total Net Other Income or Expenses (Including Interest paid to or received from plans)	\$		\$
c. Net Gain or Loss from Operations			
d. Total Claim Payment Volume	\$ 295,490,203	\$295,490,203	

B. ASC Plan

N/A

C. Medicare or Other Similarly structured cost based reimbursement Contact:

N/A

19. Direct Premium Written/Produced by managing general agents/third Party Administrators

N/A

20. Other Items

A. Extraordinary Items

N/A

B. Troubled Debt Restructuring

N/A

C. Other Disclosures

None

21. Events Subsequent

N/A

22. Reinsurance

N/A

23. Retrospectively Rated Contracts

N/A

24. Organization and Operations

Memphis Managed Care Corporation was incorporated as a non-profit organization in 1993. The board of directors has equal representation from both The med and UTMG (owners).

25. Salvage and Subrogation

N/A

26. Change in Incurred Claims and Claim Adjustment Expense

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE Memphis Managed Care Corporation

NOTES TO FINANCIAL STATEMENTS

27. Minimum Net Worth

The company must maintain the larger of the minimum net worth of \$1,500,000 or 4% of the first \$150,000,000 in premium and 1.5% in excess of that amount, as reported on the most recent Quarterly Statement filed with the Tennessee Department of Commerce and Insurance.

	Net Premium Revenue		Calculated Requirement
Up To 150,000,000	150,000,000.00	4%	6,000,000.00
>150,000,000	246,665,509.00	1.5%	2,948,029.61
Total	396,665,509.00		9,699,982.00

NOTES TO FINANCIAL STATEMENTS
(Electronic Filing Only)

4. Discontinued Operations

5. The amounts related to Discontinued Operations and the effect on the Company's Balance Sheet and Statement of Revenue and Expenses

Balance sheet

Assets

a. Line 5	Cash	\$
b. Line 26	Totals	\$

Liabilities, Surplus and Other Funds

c. Line 22	Total Liabilities	\$
d. Line 30	Total Capital and Surplus	\$
e. Line 31	Total	\$

Statement of Revenue and Expenses

f. Line 2	Premiums	\$
g. Line 22	Increase in aggregate reserves for accident and health (current year less prior year)	\$
h. Line 31	Federal and foreign income taxes incurred	\$
i. Line 26	Net realized capital gains (losses)	\$
j. Line 32	Net Income	\$

5. Investments

A. Mortgage Loans including Mezzanine Real Estate Loans

For mortgage loans, disclose the following information

	Current Year	Prior Year
4. As of year end, the Company held mortgages with investment, excluding accrued interest		\$
a. Total interest due on mortgages with interest rr		\$
5. Taxes, assessments and any amounts advanced		\$
6. Current year impaired loans with a related allowar		\$
a. Related allowance for credit losses		\$
7. Impaired mortgage loans without an allowance for credit losses	\$	\$
8. Average recorded investment in impaired loans	\$	\$
9. Interest income recognized during the period the loans were impaired	\$	\$
10. Amount of interest income recognized on a cash basis during the period the loans were impaired	\$	\$
11. Allowance for credit losses:		
a. Balance at beginning of period	\$	\$
b. Additions charged to operations	\$	\$
c. Direct write-downs charged against the allowances	\$	\$
d. Recoveries of amounts previously charged off	\$	\$
e. Balance at end of period	\$	\$

B. Debt Restructuring

For restructured debt in which the company is a creditor, disclose the following:

1. The total recorded investment in restructured loans, as of year end	\$	\$
2. The realized capital losses related to these loans	\$	\$
3. Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings	\$	\$

9. Income Taxes

A. The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	Current Year	Prior Year
1. Total of gross deferred tax assets	\$	\$
2. Total of deferred tax liabilities	\$	\$
3. Net deferred tax asset	\$	\$
4. Deferred tax asset nonadmitted	\$	\$
5. Net admitted deferred tax asset	\$	\$
6. Increase (decrease) in nonadmitted asset	\$	\$

NOTES TO FINANCIAL STATEMENTS (Continued)
(Electronic Filing Only)

10. Information Concerning Parent, Subsidiaries and Affiliates

E. Indicate the amount of any guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party that result in a material contingent exposure of the reporting entity's or any related party's assets or liabilities: \$

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

A summary of assets, obligations and assumptions of the Pension and Other Postretirement Benefit Plans are as follows at December 31, of said year.

	Pension Benefits		Other Benefits	
	Current Year	Prior Year	Current Year	Prior Year
1. Change in benefit obligation				
a. Benefit obligation at beginning of year	\$	\$	\$	\$
b. Service cost	\$	\$	\$	\$
c. Interest cost	\$	\$	\$	\$
d. Contribution by plan participants	\$	\$	\$	\$
e. Actuarial gain (loss)	\$	\$	\$	\$
f. Foreign currency exchange rate changes	\$	\$	\$	\$
g. Benefits paid	\$	\$	\$	\$
h. Plan amendments	\$	\$	\$	\$
i. Business combinations, divestitures, curtailments, settlements and special termination benefits	\$	\$	\$	\$
j. Benefit obligation at end of year	\$	\$	\$	\$
2. Change in plan assets				
a. Value of plan assets at beginning of year	\$	\$	\$	\$
b. Actual return on plan assets				\$
c. Foreign currency exchange rate changes				\$
d. Employer contribution				\$
e. Plan participants' contributions				\$
f. Benefits paid				\$
g. Business combinations, divestitures and settler				\$
h. Fair value of plan assets at end of year				\$
3. Funded status				
a. Unamortized prior service cost				\$
b. Unrecognized net gain or (loss)	\$	\$	\$	\$
c. Remaining net obligation or net asset at initial date of application	\$	\$	\$	\$
d. Prepaid assets or accrued liabilities	\$	\$	\$	\$
e. Intangible asset	\$	\$	\$	\$
4. Benefit obligation for non vested employees	\$	\$	\$	\$
5. Components of net periodic benefit cost				
a. Service cost	\$	\$	\$	\$
b. Interest cost	\$	\$	\$	\$
c. Expected return on plan assets	\$	\$	\$	\$
d. Amortization of unrecognized transition obligation or transition asset	\$	\$	\$	\$
e. Amount of recognized gains and losses	\$	\$	\$	\$
f. Amount of prior service cost recognized	\$	\$	\$	\$
g. Amount of gain or loss recognized due to a settlement or curtailment	\$	\$	\$	\$
h. Total net periodic benefit cost	\$	\$	\$	\$
7. Weighted average assumption as of December 31				
a. Discount rate
b. Rate of compensation increase
c. Expected long-term rate of return on plan assets
9. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:			1 Percentage Point Increase	1 Percentage Point Decrease
a. Effect on total of service and interest cost components			\$	\$
b. Effect on postretirement benefit obligation			\$	\$

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

9. The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a. Unrealized gains and losses:	\$
b. Nonadmitted asset values:	\$
c. Separate account business:	\$
d. Asset valuation reserves:	\$
e. Provision for reinsurance:	\$

14. Contingent Commitments

A. 1. Total contingent liabilities: \$

NOTES TO FINANCIAL STATEMENTS (Continued)
(Electronic Filing Only)

15. Leases

A. Disclose the following items related to lessee leasing arrangements (refer to SSAP No. 22, Leases):

2. For leases having initial or remaining noncancelable lease terms in excess of one year:

a. At January 1, of said year, the minimum aggregate rental commitments are as follows:
(Dollars in thousands)

<u>Year Ending December 31</u>	<u>Operating Leases</u>
1.....	\$.....
2.....	\$.....
3.....	\$.....
4.....	\$.....
5.....	\$.....
6.....	\$.....

B. When leasing is a significant part of the lessor's business activities in terms of revenue, net income, or assets, disclose the following information with respect to leases:

1. Lessor Leases:

c. Future minimum lease payment receivables under noncancelable leasing arrangements as of December 31, of said year are as follows:

<u>Year Ending December 31</u>	<u>Operating Leases</u>
1.....	\$.....
2.....	\$.....
3.....	\$.....
4.....	\$.....
5.....	\$.....
6.....	\$.....
7. Net minimum future lease receipts	\$.....

2. Leveraged Leases:

b. The Company's investment in leveraged leases re leveraged leases at December 31, of said year w

(In thousands)
1. Income from leveraged leases before income
2. Less current income tax
3. Net income from leverage leases

NONE

from
Prior Year

c. The components of the investment in leveraged leases at December 31, of said year were as shown below:
(In thousands)

	<u>Current Year</u>	<u>Prior Year</u>
1. Lease contracts receivable (net of principal and interest on non-recourse financing)	\$.....	\$.....
2. Estimated residual value of leased assets	\$.....	\$.....
3. Unearned and deferred income	\$.....	\$.....
4. Investment in leveraged leases	\$.....	\$.....
5. Deferred income taxes related to leveraged leases	\$.....	\$.....
6. Net investment in leveraged leases	\$.....	\$.....

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk.

For financial instruments with off-balance risk, an insurer shall disclose in the financial statements the following information by class of financial instrument:

1. The table below summarizes the face amount of the Company's financial instruments with off-balance sheet risk:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>Current Year</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Prior Year</u>
a. Swaps	\$.....	\$.....	\$.....	\$.....
b. Futures	\$.....	\$.....	\$.....	\$.....
c. Options	\$.....	\$.....	\$.....	\$.....
d. Total	\$.....	\$.....	\$.....	\$.....

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C. Wash Sales

2. The details by NAIC designation 3 or below of securities sold during the first quarter ended March 31, of said year, and reacquired within 30 days of the sale date are:

<u>Bonds:</u>	<u>Number of Transactions</u>	<u>Book Value of Securities Sold</u>	<u>Cost of Securities Repurchased</u>	<u>Gain/ (Loss)</u>
a. NAIC 3	\$.....	\$.....	\$.....	\$.....
b. NAIC 4	\$.....	\$.....	\$.....	\$.....
c. NAIC 5	\$.....	\$.....	\$.....	\$.....
d. NAIC 6	\$.....	\$.....	\$.....	\$.....
<u>Preferred Stock:</u>				
e. NAIC P/RP3	\$.....	\$.....	\$.....	\$.....
f. NAIC P/RP4	\$.....	\$.....	\$.....	\$.....
g. NAIC P/RP5	\$.....	\$.....	\$.....	\$.....
h. NAIC P/RP6	\$.....	\$.....	\$.....	\$.....

NOTES TO FINANCIAL STATEMENTS (Continued)
(Electronic Filing Only)

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans:

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during s

- a. Net reimbursement for administrative expenses (incl administrative fees) in excess of actual expenses
- b. Total net other income or expenses (including intere: to or received from plans)
- c. Net gain or (loss) from operations
- d. Total claim payment volume

NONE

1	2	3
	Uninsured Portion of Partially Insured Plans	Total ASO
	\$.....
	\$.....
	\$.....
	\$.....

B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during said year:

- a. Gross reimbursement for medical cost incurred
- b. Gross administrative fees accrued
- c. Other income or expenses (including interest paid to or received from plans)
- d. Gross expenses incurred (claims and administrative)
- e. Total net gain or loss from operations

1	2	3
ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
\$.....	\$.....	\$.....
\$.....	\$.....	\$.....
\$.....	\$.....	\$.....
\$.....	\$.....	\$.....
\$.....	\$.....	\$.....

STATEMENT AS OF SEPTEMBER 30, 2004 OF THE Memphis Managed Care Corporation

NOTES TO FINANCIAL STATEMENTS - ITEM 1A

1 State Prescribed Practices	2 Current	3 Prior
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NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 5A02

1 Percent Reduced	2 Investment Excluding Accrued Interest	3 Number of Mortgages
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NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 13.10

	1 Date Issued	2 Interest Rate	3 Par Value (Face Amount of Notes)	4 Carrying Value of Note	5 Principal and/or Interest Paid Current Year	6 Total Principal and/or Interest Paid	7 Unapproved Principal and/or Interest	8 Date of Maturity
Description of Assets, Holder of Note and Other								

NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 13.11

Year (Starting with Current Year)	Change in Year Surplus	Change in Gross Paid-in and Contributed Surplus
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NONE

STATEMENT AS OF SEPTEMBER 30 , 2004 OF THE Memphis Managed Care Corporation

NOTES TO FINANCIAL STATEMENTS - ITEM 19

Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Type of Authority Granted	Total Direct Premiums Written/ Produced By
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NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 23

Name of Reinsurer	Amount
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NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 28A

1 Quarter	2 Estimated Pharmacy Rebates as Reported on Financial Statements	3 Pharmacy Rebates as Billed or Otherwise Confirmed	4 Actual Rebates Received Within 90 Days of Billing	5 Actual Rebates Received Within 91 to 180 Days of Billing	6 Actual Rebates Received More Than 180 Days After Billing
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NONE

NOTES TO FINANCIAL STATEMENTS - ITEM 28B

1 Calendar Year	2 Evaluation Period Year Ending	3 Risk Sharing Receivable as Estimated in the Prior Year	4 Risk Sharing Receivable as Estimated in the Current Year	5 Risk Sharing Receivable Billed	6 Risk Sharing Receivable Not Yet Billed	7 Actual Risk Sharing Amounts Received in Year Billed	8 Actual Risk Sharing Amounts Received First Year Subsequent	9 Actual Risk Sharing Amounts Received Second Year Subsequent	10 Actual Risk Sharing Amounts Received - All Other
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NONE

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements?

Yes () No (X)
- 1.2

If yes, explain:
- 2.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes () No (X)
- 2.2

If yes, has the report been filed with the domiciliary state?

Yes () No ()
- 3.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes () No (X)
- 3.2

If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4.

Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes () No (X)
- If yes, complete the Schedule Y - Part 1 - organizational chart.
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes () No (X)
- 5.2

If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?

Yes () No () N/A (X)
- If yes, attach an explanation.
- 7.1

State as of what date the latest financial examination of the reporting entity was made or is being made.
- 7.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity.
This date should be the date of the examined balance sheet and not the date the report was completed or released.
- 7.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity.
This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).
- 7.4

By what department or departments?
- 8.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes () No (X)
- 8.2

If yes, give full information
- 9.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes () No (X)
- 9.2

If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes () No (X)
- 9.4

If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

GENERAL INTERROGATORIES (continued)

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

INVESTMENT

10.1 Has there been any change in the reporting entity's own preferred or common stock? Yes () No (X)

10.2 If yes, explain

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes () No (X)

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$

13. Amount of real estate and mortgages held in short-term investments: \$

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes () No (X)

14.2 If yes, please complete the following:

	1 Prior Year-End Statement Value	2 Current Quarter Statement Value
14.21 Bonds	\$	\$
14.22 Preferred Stock	\$	\$
14.23 Common Stock	\$	\$
14.24 Short-Term Investments	\$	\$
14.25 Mortgages, Loans or Real Estate	\$	\$
14.26 All Other	\$	\$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Line 14.21 to Line 14.26)	\$	\$
14.28 Total Investment in Parent included in Line 14.21 to Line 14.26 above	\$	\$
14.29 Receivable from Parent not included in Line 14.21 to Line 14.26 above	\$	\$

15.1 Has the reporting entity entered into any hedging transactions reported on schedule DB? Yes () No (X)

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes () No ()

If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes () No (X)

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes () No (X)

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

GENERAL INTERROGATORIES - Line 5.2 (Continued)

¹ Name of Entity	² NAIC Company Code	³ State of Domicile
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GENERAL INTERROGATORIES - Line 9.4 (Continued)

¹ Affiliate Name	² Location (City, State)	³ FRB	⁴ OCC	⁵ OTS	⁶ FDIC	⁷ SEC
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GENERAL INTERROGATORIES - Line 16.1 (continued)

¹ Name of Custodian(s)	² Custodian Address
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GENERAL INTERROGATORIES - Line 16.2 (continued)

¹ Name(s)	² Location(s)	³ Complete Explanation(s)
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GENERAL INTERROGATORIES - Line 16.4 (continued)

¹ Old Custodian	² New Custodian	³ Date of Change	⁴ Reason
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GENERAL INTERROGATORIES - Line 16.5 (continued)

¹ Central Registration Depository	² Name(s)	³ Address
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SCHEDULE A - VERIFICATION

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Increase (decrease) by adjustment		
3. Cost of acquired		
4. Cost of additions to and permanent improv		
5. Total profit (loss) on sales		
6. Increase (decrease) by foreign exchange		
7. Amount received on sales		
8. Book/adjusted carrying value at end of cur		
9. Total valuation allowance		
10. Subtotal (Line 8 plus Line 9)		
11. Total nonadmitted amounts		
12. Statement value, current period (Page 2, total value lines, net admitted assets column)		

SCHEDULE B - VERIFICATION

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2. Amount loaned during period:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acq		
3. Accrual of discount and mortgage interest		
4. Increase (decrease) by adjustment		
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during t		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange		
9. Book value/recorded investment excluding		
10. Total valuation allowance		
11. Subtotal (Line 9 plus Line 10)		
12. Total nonadmitted amounts		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

SCHEDULE BA - VERIFICATION

Other Invested Assets Included in Schedule BA

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2. Cost of acquisitions during period:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acq		
3. Accrual of discount		
4. Increase (decrease) by adjustment		
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during t		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange		
9. Book/adjusted carrying value of long-term		
10. Total valuation allowance		
11. Subtotal (Line 9 plus Line 10)		
12. Total nonadmitted amounts		
13. Statement value of long term invested assets at end of current period (Page 2, Line 7, Column 3)		

SCHEDULE D - VERIFICATION

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year		
2. Cost of bonds and stocks acquired		
3. Accrual of discount		
4. Increase (decrease) by adjustment		
5. Increase (decrease) by foreign exchange		
6. Total profit (loss) on disposal		
7. Consideration for bonds and stocks dispos		
8. Amortization of premium		
9. Book/adjusted carrying value, current per		
10. Total valuation allowance		
11. Subtotal (Line 9 plus Line 10)		
12. Total nonadmitted amounts		
13. Statement value		

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1.....								
2. Class 2.....								
3. Class 3.....								
4. Class 4.....								
5. Class 5.....								
6. Class 6.....								
7. Total Bonds.....								
PREFERRED STOCK								
8. Class 1.....								
9. Class 2.....								
10. Class 3.....								
11. Class 4.....								
12. Class 5.....								
13. Class 6.....								
14. Total Preferred Stock.....								
15. Total Bonds and Preferred Stock.....								

NONE

SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999 Totals	NONE				

SCHEDULE DA - PART 2 - VERIFICATION

Short-Term Investments Owned

	1	2
	Year To Date	Prior Year Ended December 31
1. Book / adjusted carrying value, December 31 of prior year		
2. Cost of short-term investments acquired		
3. Increase (decrease) by adjustment		
4. Increase (decrease) by foreign exchange ad		
5. Total profit (loss) on disposal of short-term i	NONE	
6. Consideration received on disposal of short-t		
7. Book / adjusted carrying value, current peric		
8. Total valuation allowance		
9. Subtotal (Line 7 plus Line 8)		
10. Total nonadmitted amounts		
11. Statement value (Line 9 minus Line 10)		
12. Income collected during period		
13. Income earned during period		

SCHEDULE DB - PART F - SECTION 1

Summary of Replicated (Synthetic) Assets Open

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset						
1	2	3	4	5	Derivative Instruments Open		Cash Instrument(s) Held				
Replication RSAT Number	Description	NAIC Designation or Other Description	Statement Value	Fair Value	6	7	8	9	10	11	12
					Description	Fair Value	CUSIP	Description	Statement Value	Fair Value	NAIC Designation or Other Description

NONE

SCHEDULE DB - PART F - SECTION 2

Reconciliation of Replicated (Synthetic) Assets Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
	1	2	3	4	5	6	7	8	9	10
	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1. Beginning Inventory										
2. Add: Opened or Acquired Transactions										
3. Add: Increases in Replicated Asset Statement Value	XXX						XXX		XXX	
4. Less: Closed or Disposed of Transactions										
5. Less: Positions Disposed of for Failing Effectiveness Criteria										
6. Less: Decreases in Replicated (Synthetic) Asset Statement Value	XXX						XXX		XXX	
7. Ending Inventory										

NONE

SCHEDULE S - CEDED REINSURANCE

Showing all new reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)
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NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	2	Direct Business Only Year to Date					
				3	4	5	6	7	8
States, Etc.		Guaranty Fund (Yes or No)	Is Insurer Licensed ? (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Deposit-Type Contract Funds	Property/Casualty Premiums
1.	Alabama	AL							
2.	Alaska	AK							
3.	Arizona	AZ							
4.	Arkansas	AR							
5.	California	CA							
6.	Colorado	CO							
7.	Connecticut	CT							
8.	Delaware	DE							
9.	District of Columbia	DC							
10.	Florida	FL							
11.	Georgia	GA							
12.	Hawaii	HI							
13.	Idaho	ID							
14.	Illinois	IL							
15.	Indiana	IN							
16.	Iowa	IA							
17.	Kansas	KS							
18.	Kentucky	KY							
19.	Louisiana	LA							
20.	Maine	ME							
21.	Maryland	MD							
22.	Massachusetts	MA							
23.	Michigan	MI							
24.	Minnesota	MN							
25.	Mississippi	MS							
26.	Missouri	MO							
27.	Montana	MT							
28.	Nebraska	NE							
29.	Nevada								
30.	New Hampshire								
31.	New Jersey								
32.	New Mexico								
33.	New York								
34.	North Carolina								
35.	North Dakota								
36.	Ohio								
37.	Oklahoma								
38.	Oregon								
39.	Pennsylvania								
40.	Rhode Island	RI							
41.	South Carolina	SC							
42.	South Dakota	SD							
43.	Tennessee	TN							
44.	Texas	TX							
45.	Utah	UT							
46.	Vermont	VT							
47.	Virginia	VA							
48.	Washington	WA							
49.	West Virginia	WV							
50.	Wisconsin	WI							
51.	Wyoming	WY							
52.	American Samoa	AS							
53.	Guam	GU							
54.	Puerto Rico	PR							
55.	U. S. Virgin Islands	VI							
56.	Canada	CN							
57.	Aggregate Other Alien	OT	XXX	XXX					
58.	Total (Direct Business)	XXX	(a)						
DETAILS OF WRITE-INS									
5701.									
5702.									
5703.									
5798.	Summary of remaining write-ins for Line 57 from overflow page								
5799.	Total (Line 5701 through Line 5703 plus Line 5798) (Line 57 above)								

(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

All entity members of a Holding Company Group that have acquired and/or disposed of any domestic entity (s) since filing the last annual or quarterly statement shall prepare a common schedule for inclusion in each of the individual quarterly statements

PART 1 - ORGANIZATIONAL LISTING

1	2	3	4	5	6
NAIC Group Code	Group Name	NAIC Company Code	State of Domicile	FEI Number	Name of Company

NONE

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

PART 1 - ORGANIZATIONAL CHART

NONE

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATIONS and provide an explanation following the interrogatory questions.

	RESPONSE
1. Will the SVO Compliance Certification be filed with this statement?	Yes

EXPLANATIONS:

.....

BAR CODE:

Document Identifier 470:

SCHEDULE A - PART 2

Showing All Real Estate ACQUIRED During the Current Quarter

1 Description of Property	Location		4 Date Acquired	5 Name of Vendor	6 Actual Cost	7 Amount of Encumbrances	8 Book / Adjusted Carrying Value Less Encumbrances	9 Expended for Additions and Permanent Improvements
	2 City	3 State						

NONE

E01

SCHEDULE A - PART 3

Showing All Real Estate SOLD During the Quarter , Including Payments During the Final Year on "Sales under Contract"

1 Description of Property	Location		4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Expended for Additions, Permanent Improvements and Changes in Encumbrances	10 Book/Adjusted Carrying Value Less Encumbrances	11 Amounts Received	12 Foreign Exchange Profit (Loss) on Sale	13 Realized Profit (Loss) on Sale	14 Total Profit (Loss) on Sale	15 Gross Income Earned Less Interest Incurred on Encumbrances	16 Taxes, Repairs and Expenses Incurred
	2 City	3 State													

NONE

SCHEDULE B - PART 1

Showing All Mortgage Loans ACQUIRED during the Current Quarter

1	Location		4	5	6	7	8	9	10	11
Loan Number	2	3	Loan Type	Date Acquired	Rate of Interest	Book Value/Recorded Investment Excluding Accrued Interest	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Value of Land and Buildings	Date of Last Appraisal or Valuation
	City	State								

NONE

SCHEDULE B - PART 2

Showing All Mortgage Loans SOLD, Transferred or Paid in Full During the Current Quarter

1	Location		4	5	6	7	8	9	10	11	12	13
Loan Number	2	3	Loan Type	Date Acquired	Book Value/Recorded Investment Excluding Accrued Interest Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book Value/Recorded Investment Excluding Accrued Interest at Disposition	Consideration Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale
	City	State										

NONE

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets ACQUIRED During the Current Quarter

1 Number of Units and Description	Location		4 Name of Vendor	5 Date Acquired	6 Actual Cost	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Increase (Decrease) by Adjustment	10 Increase (Decrease) by Foreign Exchange Adjustment
	2 City	3 State							

NONE

E03

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Current Quarter

1 Number of Units and Description	Location		4 Name of Purchaser or Nature of Disposition	5 Date Acquired	6 Book/Adjusted Carrying Value Less Encumbrances Prior Year	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Book/Adjusted Carrying Value less Encumbrances at Disposition	10 Consideration Received	11 Foreign Exchange Profit (Loss) on Sale	12 Realized Profit (Loss) on Sale	13 Total Profit (Loss) on Sale
	2 City	3 State										

NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)

NONE

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of
by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identif- ication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Anort- ization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Recieved During Year	Maturity Date	NAIC Designa- tion or Market Indi- cator (a)

NONE

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/Option Premium	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income

NONE

E06

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index	Date of Issuance/ Purchase	Exchange or Counterparty	Consideration Received	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis	Other Investment/ Miscellaneous Income

NONE

SCHEDULE DB - PART C - SECTION 1

Showing all Collar , Swap and Forwards Open at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value	*	Statement Value	Fair Value	Year to Date Increase (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure

NONE

E07

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts at Current Statement Date

1	2	3	4	5	6	7	8	9	Variation Margin Information			13
Description	Number of Contracts	Maturity Date	Original Value	Current Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Cash Deposit	10 Recognized	11 Used to Adjust Basis of Hedged Item	12 Deferred	Potential Exposure

NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1		2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Depository		Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
Name	Location and Supplemental Information					First Month	Second Month	Third Month	
Open Depositories									
NBC GENERAL OPERATING	NBC					117,707	117,707	117,076	
AMSOUTH GENERAL OPERATING	AMSOUTH					2,480,879	4,258,837	6,829,362	
AMSOUTH CLAIMS	AMSOUTH					(12,463,206)	(12,545,904)	(13,636,339)	
AMSOUTH PAYROLL	AMSOUTH					12,167	33,279	55,650	
ESCROW CASH	NBC					346,155	346,155	346,155	
AMSOUTH TRUST	AMSOUTH			34,515	34,515	18,010,164	16,550,047	19,088,316	
0199999 - TOTAL - Open Depositories				34,515	34,515	8,503,866	8,760,121	12,800,220	
0399999 - TOTAL Cash on Deposit				34,515	34,515	8,503,866	8,760,121	12,800,220	
0599999 - TOTALS				34,515	34,515	8,503,866	8,760,121	12,800,220	

ADDITIONAL STATEMENT PAGES

ADDITIONAL STATEMENT PAGES

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	594,638	1,191,485	2,314,367
REVENUES:			
1 TennCare Capitation	93,759,211	271,298,822	390,132,800
2 Investment	66,589	169,766	105,122
3 Other Revenue	148,063	533,447	612,321
4 Total Revenue	93,973,863	272,002,035	390,850,243
EXPENSES:			
Medical and Hospital Services			
5 Capitated Physician Services	3,251,074	8,511,718	8,751,796
6 Fee for Service Physician Services	22,439,990	66,248,929	82,943,545
7 Inpatient Hospital Services	17,769,724	52,005,991	91,135,553
8 Outpatient Services	40,164	259,843	7,779,504
9 Emergency Room Services	6,330,958	18,076,331	26,460,811
10 Mental Health Services	8,770	28,435	69,821
11 Dental Services	-	49,194	79,315
12 Vision Services	741,437	2,003,843	2,619,864
13 Pharmacy Services	7,918	32,775	37,134,086
14 Home Health Services	748,875	1,956,386	2,173,402
15 Chiropractic Services	-	-	-
16 Radiology Services	2,625,236	8,170,701	10,919,284
17 Laboratory Services	2,431,530	7,546,060	8,830,226
18 Durable Medical Equipment Services	1,465,435	6,002,537	8,170,922
19 Transportation Services	777,958	3,665,721	3,273,899
20 Outside Referrals	-	-	-
21 Medical incentive Pool and Withhold Adjustments	-	-	-
22 Occupancy Depreciation and Amortization	-	-	-
23 Other Medical and Hospital Services	26,670,569	72,056,476	66,639,586
24 Subtotal	85,309,636	246,614,943	356,981,615
25 Reinsurance Expense Net of Recoveries	872,421	1,929,744	3,336,200
LESS:			
26 Copayments	-	-	-
27 Subrogation	3,988	27,556	305,517
28 Coordination of Benefits	254	(45,176)	182,585
29 Subtotal	4,243	(17,619)	488,103
30 TOTAL MEDICAL AND HOSPITAL	86,177,815	248,562,306	359,829,713
Administration			
31 Compensation	2,481,121	7,127,686	8,929,412
32 Marketing	19,447	64,502	44,491
33 Interest Expense	-	-	1,033,669
34 Premium Tax Expense	-	-	-
35 Occupancy Depreciation and Amortization	280,279	932,237	1,235,310
36 Other Administration	2,467,531	9,172,240	6,195,833
37 TOTAL ADMINISTRATION	5,248,378	17,296,665	17,438,714
38 TOTAL EXPENSES	91,426,193	265,858,972	377,268,427
39 NET INCOME (LOSS)	2,547,670	6,143,063	13,581,815